MID-WEST UNIVERSITY
SCHOOL OF MANAGEMENT (MUSOM)
(An Autonomous Institution)
MUSOM EXAMINATION SECTION
FINAL EXAMINATION-2023 (2080)
BACHELOR OF BUSINESS ADMINISTRATION (BBA)
SEMESTER – V

Subject: Management Accounting — **Course Code: MGT353**
Full Marks: 100 — **Time: 3 Hrs.**

You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (8×5=40 MARKS)

Answer any eight questions:

1. Define management accounting. Illustrate its scopes. [1+4]
2. Briefly explain the controllership functions of management accountant. [5]
3. Give the concept of full costing method of income statement. Outline any three key causes of profit differences between absorption and variable costing method in income statement preparation. [2+3]
4. Avoidable and unavoidable costs play key role in decision making. Comment. [5]
5. What is budgetary control? Outline the objectives of budgetary control. [1+4]
6. You are given following information for sales Rs. 4,00,000, in condition of sales equal to production.

Variable costs		Fixed costs	
Description	Rs.	Description	Rs.
Direct material expenses	50,000	Fixed manufacturing expenses	50,000
Direct labor expenses	80,000	Fixed administration expenses	15,000
Administration expenses	10,000	fixed selling expenses	5,000
Manufacturing expenses	30,000		

Required: Income statement as per full costing method. **[5]**

7. The sales revenue and earned profit of a special industry during two years were as follows:

Month	Sales revenue Rs.	Profit Rs.
Falgun	20,00,000	120,000
Chaitra	24,00,000	160,000

Required:

a Profit volume ratio and fixed cost. [1+1]
b Breakeven point. [1]
c Required sales amount to earn desired profit of Rs. 25,000 after 30 % tax. [1]
d Profit when sales are Rs. 15, 00,000. [1]

8. The sales forecasts for coming four months of a company are:

Chaitra	Baishak	Jestha	Ashad	Shrawan
9,000 units	8,000 Units	9,000 Units	10,000 Units	9,000 Units

Each unit of finished product needs 4 kg of material @ Rs.2 per kg. The company's has a policy of keeping ending inventory of finished goods in each month will be equal to next month's sales and raw material is 50 percent of raw material required to same month's production need.

Required: Production Budget and Material Purchase Budget for the three months from Baisakh to Ashad. **[2+3]**

9. You are given following information

Fixed overhead based on normal capacity	Rs. 100,000
Normal capacity	20,000 DLH
Variable overhead rate based on normal capacity	Rs.9
Standard time allowed for 4 unit of output	1 hour
Actual output	44,000 units
Actual overhead paid	Rs. 195,000

Required: Overhead capacity, efficiency, spending and budgeted variance. [2+1+3=5]

10. A fertilizer Urea has following chemical mixture:

Standard mixture	Actual mixture
10 kg of material X at Rs. 10 per kg.	90 kg of material X at Rs. 9 per kg.
15 kg. of material Y at Rs. 7.5 per kg.	110 kg. of material Y at Rs. 8 per kg.
90 percent expected outcome of input	184 units actual output

Required: Material five variances. [5]

SECTION C: LONG ANSWER QUESTIONS (3×10=30 MARKS)

Answer any three questions:

11. Describe any four types of alternative choice for decision making with suitable examples of relevant qualitative and quantitative factors for each alternative decision-making process. [2.5×4=10]

12. Rara Dairy Company, Surkhet operates with 25,000 unit's normal capacity which provide the following information details:

Particulars	Amount Rs.
Production units	Rs. 30,000
Sales units	Rs. 35,000
Direct material and direct labor cost per unit	Rs. 4
Fixed manufacturing cost per unit (based on normal capacity)	Rs. 3
Closing stock unit	Rs. 2,500
Variable selling and administrative cost per unit	Rs.1
Variable manufacturing cost per unit	Rs.3
Fixed selling and administrative cost	Rs. 45,000
Selling price per unit	Rs.30

Required: -

a. **Income statement under internal and external reporting system.** **[4+4]**

b. **Reconciliation statement showing the profit of internal reporting.** **[2]**

13. Following information are in relation to a trading company

Descriptions	Amount Rs.
Fixed cost	150,000
Selling price per unit	80
Variable cost per unit	50

Required: -

a. Variable cost to volume (V/V) ratio and contribution margin (C/M) ratio. [2]

b. Break-even point in unit and Rs. [2]

c. Sales volume in units to earn 25 percent profit on sales price per unit. [2]

d. Sales volume in units and Rs. for desired profit after tax Rs. 70,000 (Tax 30%). [2]

e. Margin of safety amount if sales are Rs. 500,000. [2]

14. Dolpa Manufacturing Company provides following cost details:

Cost description	Cost amount in Rs. (For 25,000 units)	Cost amount in Rs. (For 45,000 units)
Depreciation	60,000	60,000
Material	112,500	202,500
Rent	40,000	40,000
Wages	62,500	112,500
Insurance	37,500	55,500
Supervision	62,500	92,500

Required:

a. Identify cost and separate it into variable and fixed costs for flexible budget formula (Y=a+bx). [5]

b. Calculate the budget for 30,000 units and 36, 000 unit's activity level. [2.5×2=5]

15. You are given following information in relation to a manufacturing company:

a. Karnali Manufacturing Company manufactures iron furniture based on following budgetary control system in relation to material.

Materials	Standard		Actual	
	Qty Kg.	Rate (Rs.)	Qty Kg.	Rate (Rs.)
Plywood	50	4	100	3.4
Wood	100	6	170	7
Iron	150	8	230	6
Total	300		500	
Loss	30		90	
Yield / Output	270		410	

Required: -Material cost, price, usages, mix and yield variances. [1×5=5]

b. Similarly, Karnali Manufacturing Company has employed different types of labors which shows the following actual and standard data:

Labors	Standard		Actual	
	Number of workers	Hourly wages rate in Rs.	Number of workers	Hourly wages rate in Rs.
Skill	10 workers	Rs. 20	5 workers	Rs. 18
Semi-skill	15 workers	Rs. 10	10 workers	Rs. 12
Unskilled	30 workers	Rs. 6	40 workers	Rs. 4
	Standard output per labor hour is 0.5 unit		Actual output is 2,000 units	
	Actual time taken 40 hours and allowed for the gang			

Required: - Labor capacity, efficiency, yield, mix and rate variances. [1×5=5]

SECTION D: CASE STUDY (15 MARKS)

16. Read a case given below and answer the following questions:

The CG Manufacturing Company presented following actual sales of last two months and budgeted sales for January to May.

Months	Nov	Dec	Jan	Feb	March	April	May
Sales in units	10,000	15,000	20,000	20,000	15,000	10,000	15,000

Further, CG Manufacturing Company has following overhead budget presented as follows:

Overheads	Months		
	January	February	March
Indirect wages	40,000	30,000	20,000
Factory overheads	10,000	10,000	10,000
Supervision	5,000	5,000	5,000
Depreciation	5,000	5,000	5,000
Total	60,000	50,000	40,000

Additional information:

- Selling price per unit will be Rs. 20 each. All sales are credit sales and sales will be realized 60% in the month, 30% in the next month and the balance next following month of sales.
- Purchases and all other expenses will be paid in the month of purchased and the expenses.
- Each unit of finished product will need one unit of raw materials at a cost of Rs. 8 and two direct labor hours @ Rs. 5 per hours. The beginning balance of raw material and finished product were 20,000 units each.
- Each unit of finished product will need two direct labor hours @ Rs. 5 per hours.
- The ending balance of raw material and the finished products will be equal units of raw material and finished products necessary to meet production and sales need of the next month respectively.
- The desired ending balance of cash of Rs. 20,000 and the beginning cash balance of Rs. 20,000.
- The company has negotiation with his bank for soft loan in the multiple of Rs. 1,000 with interest 12% p.a. on the loan paid. Assume that the bank loans are taken on the first date of month and repaid on the last date.

Required:

a. Production budget for three month ending 31st March. [3]

b. Material consumption and purchase budget for three month ending 31st March. [2+2]

c. Cash collection and disbursement budget. [8]